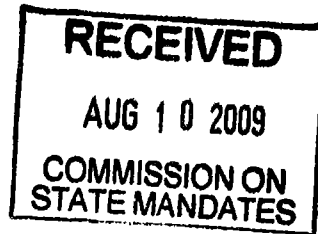


SixTen and Associates

Mandate Reimbursement Services

KEITH B. PETERSEN, President
3270 Arena Blvd. Suite 400-363
Sacramento, CA 95834
Telephone: (916) 419-7093
Fax: (916) 263-9701

E-Mail: Kbpsixten@aol.com
5252 Balboa Avenue, Suite 900
San Diego, CA 92117
Telephone: (858) 514-8605
Fax: (858) 514-8645



August 5, 2009

Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

RE: 08-PGA-02
Enrollment Fee Collection and Waivers (99-TC-13 and 00-TC-15)
Request to Amend the Parameters and Guidelines
Los Rios Community College District, et al.

Dear Ms. Higashi:

I have received a copy of the July 9, 2009, letter from Jill Kanemasu, Chief, Bureau of Payments, Division of Accounting and Reporting, California State Controller, and the July 10, 2009, letter from Jeannie Oropeza, Program Budget Manager, Department of Finance, to which I respond on behalf of the requesting parties for the above referenced action.

The Controller's letter requests a prehearing. I concur that the meeting would be productive. The Controller's letter also indicates that more information is required that could be gathered at the prehearing. Perhaps Ms. Kanemasu could provide all of us, before the meeting, an indication of what additional information will be requested at the meeting so that the parties can prepare.

The Department of Finance believes it is premature to establish a reasonable reimbursement methodology for this mandate because the Controller has not

conducted field audits. To my knowledge, at least four field audits are in various stages of completion short of audit reports and no "desk" audits have been performed. However, the Commission regulations do not require audited data to establish a reasonable reimbursement methodology.

Controller audit findings, such as the Collective Bargaining audits cited by the Finance letter, are typically based on a lack of "sufficient" documentation (which is of course a particularly subjective standard because sufficiency, like beauty, is in the eye of the beholder) rather than reductions of unreasonable costs. Therefore, incorporating audit findings of this type would not necessarily be representative of the program costs. The significant adjustments to the Health Fee Elimination claims cited by the Finance letter are primarily due to a legal dispute over "collectible" and "collected" student health service fee *revenue* as an offset to program costs, and not a result of any significant audit reductions to program *costs*. The Department of Finance's search to discover "true costs" will never be accomplished because the concept does not exist in cost accounting systems. Cost accounting is necessarily a process where time and materials applied to an outcome are measured as best as possible, but there are no actual costs in cost accounting, as there are in financial accounting systems.

The Department of Finance indicates that there should be an expectation that the "per unit costs would decrease as the number of students served increased as a result of economies of scale." This expectation indicates a fundamental misunderstanding of the mandate and how fixed and variable costs interact. The best candidates for uniform cost allowances are those mandate program costs with a high proportion of variable costs. That is, those costs that result from repetitive similar transactions, such as the enrollment process or the fee waiver process. This mandate program has few fixed costs (such as software or administrative costs) that are expenditures not directly related to the workload of enrollment and waiver. Therefore, this mandate is a good candidate for a uniform cost allowance.

The Department of Finance is concerned that the "sample size" of 24 districts out of the 37 districts that submitted claims may not be representative, and that the 16 districts requesting the parameters and guidelines amendment are among the 24 districts. The 24 districts are districts for which SixTen and Associates prepared the annual claims, and thus, that is the information available to us for the Request. This type of data, filed annual claims, is permissible according to the statute (Government Code Section 17518.5 et al.) establishing the reasonable reimbursement methodology. The 16 districts are necessarily some of the 24 districts that are SixTen clients since I cannot represent districts before the Commission as requesting parties that are not my clients.

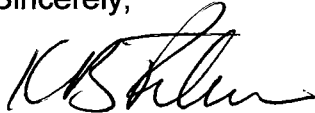
As for the issue of representative samples, I cannot confirm that 37 districts filed claims. Assuming that to be true, 24 districts out of 37 districts raises the data above the concept of a sample, it becomes the majority of the data. If the total enrollment of the 24 districts were compared to the total enrollment of the 37 districts, that proportion

may change. However, the statute establishing the reasonable reimbursement methodology process does not require statistical sampling.

The Department of Finance "assumes" that a reasonable reimbursement methodology would apply to all districts. That is what is required by the Government Code. The cover letter for the request indicates that the request is made by 16 districts, not that the result should be limited to the 16 districts.

This parameters and guidelines amendment request is a project sponsored by the Education Mandated Cost Network Community College Committee. The chair of this particular project is Jon Sharpe, Deputy Chancellor, Los Rios Community College District. Since Mr. Sharpe is located in Sacramento, there is some flexibility in scheduling the prehearing since it need not be scheduled in conjunction with other Commission events to facilitate travel. On behalf of the requesting districts, I request that the Commission proceed with scheduling a prehearing at the earliest convenience of the state agencies and Mr. Sharpe.

Sincerely,

A handwritten signature in black ink, appearing to read "KB Petersen", written in a cursive style.

Keith B. Petersen

c: Attached service list

1 **DECLARATION OF SERVICE**

2
3 Re: 08-PGA-02 Los Rios Community College District, et al.
4 Request to Amend the Parameters and Guidelines
5 Enrollment Fee Collection and Waivers
6

7 I declare:

8
9 I am employed in the office of SixTen and Associates, which is the
10 appointed representative of the above named claimants. I am 18 years of
11 age or older and not a party to the entitled matter. My business address is
12 3270 Arena Blvd., Suite 400-363, Sacramento, CA 95834.
13

14 On the date indicated below, I served the attached letter dated August 5,
15 2009, to Paula Higashi, Executive Director, Commission on State
16 Mandates, to the Commission mailing list updated 06/10/09 for this matter,
17 and to:
18

19 Paula Higashi, Executive Director
20 Commission on State Mandates
21 980 Ninth Street, Suite 300
22 Sacramento, CA 95814
23

24 ☒ **U.S. MAIL:** I am familiar with the business
25 practice at SixTen and Associates for the
26 collection and processing of
27 correspondence for mailing with the
28 United States Postal Service. In
29 accordance with that practice,
30 correspondence placed in the internal mail
31 collection system at SixTen and
32 Associates is deposited with the United
33 States Postal Service that same day in the
34 ordinary course of business.
35

36 ☐ **OTHER SERVICE:** I caused such
37 envelope(s) to be delivered to the office of
38 the addressee(s) listed above by:
39

40 _____
41 (Describe)
42

☐ **FACSIMILE TRANSMISSION:** On the
date below from facsimile machine
number (858) 514-8645, I personally
transmitted to the above-named person(s)
to the facsimile number(s) shown above,
pursuant to California Rules of Court
2003-2008. A true copy of the above-
described document(s) was(were)
transmitted by facsimile transmission and
the transmission was reported as
complete and without error.

☐ A copy of the transmission report issued
by the transmitting machine is attached to
this proof of service.

☐ **PERSONAL SERVICE:** By causing a true
copy of the above-described document(s)
to be hand delivered to the office(s) of the
addressee(s).

43 I declare under penalty of perjury under the laws of the State of California that the
44 foregoing is true and correct and that this declaration was executed on August 5, 2009,
45 at Sacramento, California.
46
47
48



Kyle M. Peters

Commission on State Mandates

Original List Date:

Last Updated:

List Print Date: 06/10/2009

Claim Number: 08-PGA-02

Issue: Enrollment Fee Collection and Waivers

Agenda Mailing List

TO ALL PARTIES AND INTERESTED PARTIES:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.2.)

Mr. Jim Soland
Legislative Analyst's Office (B-29)
925 L Street, Suite 1000
Sacramento, CA 95814

Tel: (916) 319-8310

Fax: (916) 324-4281

Mr. Thomas Todd
Department of Finance (A-15)
Education Systems Unit
915 L Street, 7th Floor
Sacramento, CA 95814

Tel:

Fax:

Chris Bonvenuto
Santa Monica Community College District
1900 Pico Blvd.
Santa Monica, CA 90405-1628

Tel: (310) 434-4201

Fax: (310) 434-8200

Mr. Jon Sharpe
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825

Tel: (559) 244-5910

Fax: (559) 243-1949

Mr. Allan Burdick
MAXIMUS
3130 Kilgore Road, Suite 400
Rancho Cordova, CA 95670

Tel: (916) 471-5538

Fax: (916) 366-4838

Mr. Jim Spano
State Controller's Office (B-08)
Division of Audits
300 Capitol Mall, Suite 518
Sacramento, CA 95814

Tel: (916) 323-5849

Fax: (916) 327-0832

Mr. Steve Shields
Shields Consulting Group, Inc.
1536 36th Street
Sacramento, CA 95816

Tel: (916) 454-7310

Fax: (916) 454-7312

Ms. Sandy Reynolds Reynolds Consulting Group, Inc. P.O. Box 894059 Temecula, CA 92589	Tel: (951) 303-3034 Fax: (951) 303-6607
Ms. Carol Bingham California Department of Education (E-08) Fiscal Policy Division 1430 N Street, Suite 5602 Sacramento, CA 95814	Tel: (916) 324-4728 Fax: (916) 319-0116
Ms. Beth Hunter Centration, Inc. 8570 Utica Avenue, Suite 100 Rancho Cucamonga, CA 91730	Tel: (866) 481-2621 Fax: (866) 481-2682
Mr. Steve Smith Steve Smith Enterprises, Inc. 2200 Sunrise Blvd., Suite 220 Gold River, CA 95670	Tel: (916) 852-8970 Fax: (916) 852-8978
Mr. Robert Miyashiro Education Mandated Cost Network 1121 L Street, Suite 1060 Sacramento, CA 95814	Tel: (916) 446-7517 Fax: (916) 446-2011
Ms. Harmeet Barkschat Mandate Resource Services, LLC 5325 Elkhorn Blvd. #307 Sacramento, CA 95842	Tel: (916) 727-1350 Fax: (916) 727-1734
Ms. Susan Geanacou Department of Finance (A-15) 915 L Street, Suite 1280 Sacramento, CA 95814	Tel: (916) 445-3274 Fax: (916) 449-5252
Ms. Cheryl Miller CLM Financial Consultants, Inc. 1241 North Fairvale Avenue Covina, CA 91722	Tel: (626) 332-4476 Fax: (626) 332-4886
Mr. Douglas R. Brinkley State Center Community College District 1525 East Weldon Fresno, CA 93704-6398	Tel: (916) 000-0000 Fax: (916) 000-0000
Ms. Donna Ferebee Department of Finance (A-15) 915 L Street, 11th Floor Sacramento, CA 95814	Tel: (916) 445-3274 Fax: (916) 323-9584
Ms. Odessa Walker Pasadena Area Community College District 1570 East Colorado Blvd.	Tel: (626) 585-7716 Fax:

Mr. David E. Scribner	Tel:	(916) 852-8970
Scribner & Smith, Inc.		
2200 Sunrise Boulevard, Suite 220	Fax:	(916) 852-8978
Gold River, CA 95670		

Ms. Ginny Brummels	Tel:	(916) 324-0256
State Controller's Office (B-08)		
Division of Accounting & Reporting	Fax:	(916) 323-6527
3301 C Street, Suite 500		
Sacramento, CA 95816		

Mr. Michael Johnston	Tel:	(559) 327-9000
Clovis Unified School District		
1450 Herndon Avenue	Fax:	(559) 327-9129
Clovis, CA 93611-0599		

Ms. Jeannie Oropeza	Tel:	(916) 445-0328
Department of Finance (A-15)		
Education Systems Unit	Fax:	(916) 323-9530
915 L Street, 7th Floor		
Sacramento, CA 95814		

Mr. Keith B. Petersen	Tel:	(916) 565-6104
SixTen & Associates		
	Fax:	(916) 564-6103

3270 Arena Blvd., Suite 400-363
Sacramento, CA 95834